



General Assembly

January Session, 2005

Committee Bill No. 5486

LCO No. 3657

03657HB05486BA_

Referred to Committee on Banks

Introduced by:
(BA)

**AN ACT REGULATING THE MAKING AND COLLECTION OF PAYDAY
LOANS.**

Be it enacted by the Senate and House of Representatives in General
Assembly convened:

1 Section 1. Section 36a-555 of the general statutes is repealed and the
2 following is substituted in lieu thereof (*Effective October 1, 2005*):

3 No person shall engage in the business of making loans of money
4 or credit in the amount or to the value of fifteen thousand dollars or
5 less for loans made under section 36a-563 or section 36a-565, and
6 charge, contract for or receive a greater rate of interest, charge or
7 consideration than twelve per cent per annum therefor, unless licensed
8 to do so by the commissioner pursuant to sections 36a-555 to 36a-573,
9 inclusive. The provisions of this section shall not apply to (1) a bank,
10 (2) an out-of-state bank, (3) a Connecticut credit union, (4) a federal
11 credit union, (5) an out-of-state credit union, (6) a savings and loan
12 association wholly owned subsidiary service corporation, (7) a person
13 to the extent that such person makes loans for agricultural,
14 commercial, industrial or governmental use or extends credit through
15 an open-end credit plan, as defined in subdivision (8) of section 36a-
16 676, for the retail purchase of consumer goods or services, (8) a

17 mortgage lender licensed pursuant to sections 36a-485 to 36a-498a,
 18 inclusive, when making first mortgage loans, as defined in section 36a-
 19 485, (9) a mortgage lender licensed pursuant to sections 36a-510 to 36a-
 20 524, inclusive, when making secondary mortgage loans, as defined in
 21 section 36a-510, or (10) a licensed pawnbroker. The provisions of this
 22 section shall apply to any person who makes a payday loan. For the
 23 purposes of this section, a "payday loan" means an unsecured, short-
 24 term cash advance made to a borrower until the next payday of such
 25 borrower that is electronically deposited directly into the checking or
 26 savings account of such borrower with a minimum required payment
 27 automatically deducted from such account when the term of the loan
 28 expires.

This act shall take effect as follows and shall amend the following sections:

Section 1	October 1, 2005	36a-555
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Statement of Purpose:

To specifically include payday lenders within the purview of the statutory provisions regulating small loan lenders in order to protect consumers from the predatory terms and tactics employed in the making and collection of payday loans. Payday lenders typically charge consumers effective interest rates exceeding four hundred per cent per annum for the loan.

[Proposed deletions are enclosed in brackets. Proposed additions are indicated by underline, except that when the entire text of a bill or resolution or a section of a bill or resolution is new, it is not underlined.]

Co-Sponsors: REP. REINOSO, 130th Dist.; REP. MCCRORY, 7th Dist.

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